



ISO/TC 68/AG 2 "Standards Advisory Group"
Convenorship: ECB



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To: Director, Crypto Policy Unit

Re: The Australian Government (the Treasury) Token Mapping Consultation Paper

I write to you in my capacity as co-chair of the Standards Advisory Group (SAG) of Technical Committee 68 of the International Organization for Standardization (ISO) TC 68/AG2.

ISO is an independent, non-governmental international organization with a membership of 163 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

ISO/TC68 is the Technical Committee within ISO tasked with developing and maintaining international standards covering the areas of banking, securities, and other financial services. The Standards Advisory Group (SAG) as an Advisory Group of ISO/TC 68 acts as an advisory sounding board to support and engage with regulators on financial services standards requirements, for the effective and efficient use and development of financial services standards, delivered using a cooperative relationship approach. The SAG enables a proactive dialogue with regulators on financial services standards matters.

The SAG's objectives are:

- Provide a forum for mutual assistance between the global regulatory community and ISO in carrying out their respective authorities and responsibilities with respect to financial services standards;
- Aid the adoption and promotion of consistent standards, where possible;
- Effectively deal with common issues collectively and consistently; and
- Encourage strong and open communication within the regulatory community and with the industry concerning financial services standards.

The SAG's response represents a collective view of its membership and draws upon its knowledge as an expert standards setting body with practitioner-led experience in the development and use of standards.

With respect to the consultation paper on token mapping, the SAG offers the following responses:

Q2) What are your views on potential safeguards for consumers and investors?:

We agree with the consultation paper that scams continue to pose a significant challenge to crypto markets. We believe that one of the potential safeguards for consumers and investors is the ability to uniquely identify crypto assets and crypto networks: the ISO 24165 Digital Token Identifier standard (DTI) was designed for this specific purpose.

Crypto Assets

As stated in the paper, anyone with a connection to the internet can create a smart contract with a name of Bitcoin, BTC or wBTC. The DTI uniquely identifies any digital asset based on objective and publicly verifiable technical characteristics of the digital asset. Inclusion of the digital asset in the registry maintained by the DTI Foundation and the issuance of a DTI guarantees the existence of the asset and its 1:1 relationship to its identifier (a DTI) in all circumstances, including after complex events such as forks on a blockchain. For example, the Bitcoin has been issued a DTI of 4H95J0R2X; including this DTI in the transaction ensures that the customers and investors are buying/selling the correct currency.

The DTI also provides the following benefits:

- In the case of a fork on the blockchain containing a crypto asset, each fork will contain its own copy of the original asset. The DTI provides regulators and participants with the ability to uniquely identify which copy of the asset represents the instrument after the fork event.
- In the case of the same digital asset trading on multiple blockchains, the addition of the DTI enables market participants to identify the specific crypto network associated with any price or trade and therefore enhances market transparency by enabling analysis of best prices per network. Regulators also will be able to take into account the network where a given trade occurred when performing their market abuse monitoring function.
- In the case where multiple crypto assets on different networks are deemed to be functionally fungible, a DTI can be issued to represent the group of crypto assets. In this scenario, the DTI can enhance market transparency by enabling aggregation of the order and market data across multiple networks.

Crypto Networks

The SAG believes it is important for consumers and regulators also to be able to uniquely identify Crypto Networks. The DTI guarantees this uniqueness based on objective and verifiable technical data. The DTI also can handle forked events, uniquely identifying two or more networks by recording the fork history as part of the metadata.

The SAG also would like to draw your attention to standards that could be used for the identification of counterparts in financial transactions, including non-fiat currency transactions, and for the legal identification of crypto networks. In this context, the LEI (Legal Entity Identifier, ISO 17442:2019), is the only global standard for unique legal entity identification. The LEI record includes the data of the legal entity included in the local business register. The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. LEIs contain information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Further benefit can be derived from data that accompanies a LEI record. For example, company name and address (legal and headquarters), can be automatically retrieved or verified from an LEI record. All LEI data is validated and verified by LEI issuers against authoritative sources

which results in a trusted source of entity data. LEI issuers are rigorously accredited by GLEIF and renewed annually.

The SAG also would like to inform you that work currently is underway on a standard (ISO 24366:2021) for an identifier of natural persons, known as the Natural Person Identifier (NPI), involved in financial transactions. This would provide the means for the identification of other non-legal entity counterparties to transactions and participants.

Q3) Scams can be difficult for some consumers to identify.

a) Are there solutions (e.g. disclosure, code auditing or other requirements) that could be applied to safeguard consumers that choose to use crypto assets?

b) What policy or regulatory levers could be used to ensure crypto token exchanges do not offer scam tokens or more broadly, prevent consumers from being exposed to scams involving crypto assets?

The SAG reiterates the need to adopt a consistent, high-quality, and globally recognized identifier, the LEI, for identifying legal entity counterparties to crypto transactions and the crypto asset service providers themselves.

Furthermore, the DTI assists market participants and public authorities to unambiguously identify digital assets and DLTs using ISO standards. The European Securities and Markets Authority (ESMA) has recommended use of the DTI under the EU DLT Pilot regulatory regime which starts on March 23rd, 2023. The DTI also enables:

- Regulators to monitor digital asset trades for anti-money laundering and combating terrorist financing requirements
- Regulators to monitor systemic risks arising from the trading of stable-coins and other digital assets; and
- Assists financial institutions to monitor market data for tokenized securities using globally standardized reference data.

The SAG remains at your disposal to further discuss and support you in your work. Do not hesitate to engage us in your discussions and questions related to standards in financial services.